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By: **Delegate Owings**

Introduced and read first time: February 22, 2001

Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Policies - Cancellations, Nonrenewals, Premium Increases, and**  
3 **Reductions in Coverage - Corrected Notice of Proposed Action**

4 FOR the purpose of authorizing an insurer to take a proposed action to cancel or  
5 nonrenew certain insurance policies under certain circumstances after reissuing  
6 a certain corrected notice of proposed action in a certain manner within a  
7 certain period of time; authorizing an insurer to take a proposed action to cancel,  
8 nonrenew, increase the premium for, or reduce coverage under a policy of motor  
9 vehicle liability insurance after reissuing a certain corrected notice of proposed  
10 action in a certain manner within a certain period of time; and generally  
11 relating to cancellations, nonrenewals, premium increases, and reductions in  
12 coverage under insurance policies.

13 BY repealing and reenacting, with amendments,  
14 Article - Insurance  
15 Section 27-602 and 27-605(b)  
16 Annotated Code of Maryland  
17 (1997 Volume and 2000 Supplement)

18 BY repealing and reenacting, without amendments,  
19 Article - Insurance  
20 Section 27-605(a)  
21 Annotated Code of Maryland  
22 (1997 Volume and 2000 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
24 MARYLAND, That the Laws of Maryland read as follows:

25 **Article - Insurance**

26 27-602.

27 (a) In this section, "applicant" means the person that seeks to purchase a  
28 renewal policy or to reinstate a canceled policy.

1 (b) (1) This section applies to the Maryland Property Insurance Availability  
2 Act and to any other plans that may be instituted to ensure availability of insurance,  
3 unless expressly excluded.

4 (2) This section does not apply to policies of:

5 (i) life insurance;

6 (ii) health insurance;

7 (iii) motor vehicle liability insurance; or

8 (iv) surety insurance.

9 (c) (1) Whenever an insurer cancels or refuses to renew a policy subject to  
10 this section, the insurer must provide to the applicant a statement of the actual  
11 reason for the cancellation or refusal to renew if the authorized premium has been  
12 tendered or paid.

13 (2) Paragraph (1) of this subsection applies to the cancellation of or  
14 refusal to renew a binder that has been in effect for at least 15 days or an actual  
15 policy that has been issued.

16 (d) A statement of actual reason is privileged and does not constitute grounds  
17 for an action against the insurer, its representatives, or another person that in good  
18 faith provides to the insurer information on which the statement is based.

19 (e) (1) The reason given in the statement of actual reason must be  
20 sufficiently clear and specific so that an applicant of reasonable intelligence can  
21 identify the basis for the insurer's decision without making further inquiry.

22 (2) The use of generalized terms such as "personal habits", "physical  
23 handicap or disability", "living conditions", "poor morals", or "violation or accident  
24 record" does not meet the requirement of this subsection.

25 (F) IN THE EVENT THAT THE INSURER'S PROPOSED ACTION IS DISALLOWED  
26 BECAUSE OF A TYPOGRAPHICAL ERROR, MISSTATEMENT, OR OTHER DEFICIENCY IN  
27 A NOTICE OF PROPOSED ACTION THAT WOULD OTHERWISE BE SUFFICIENT, THE  
28 INSURER MAY TAKE THE PROPOSED ACTION AFTER REISSUING A CORRECTED  
29 WRITTEN NOTICE IN ACCORDANCE WITH THIS SECTION AT LEAST 45 DAYS PRIOR TO  
30 THE NEW EFFECTIVE DATE OF THE PROPOSED ACTION.

31 27-605.

32 (a) (1) Except in accordance with this article, with respect to a policy of  
33 motor vehicle liability insurance or a binder of motor vehicle liability insurance, if the  
34 binder has been in effect for at least 45 days, issued in the State to any resident of the  
35 household of the named insured, an insurer other than the Maryland Automobile  
36 Insurance Fund may not:

1 (i) cancel or fail to renew the policy or binder for a reason other  
2 than nonpayment of premium;

3 (ii) increase a premium for any coverage on the policy; or

4 (iii) reduce coverage under the policy.

5 (2) Notwithstanding paragraph (1) of this subsection, the requirements  
6 of this section do not apply if:

7 (i) the premium increase described in paragraph (1)(ii) of this  
8 subsection is part of a general increase in premiums approved by the Commissioner  
9 and does not result from a reclassification of the insured;

10 (ii) the reduction in coverage described in paragraph (1)(iii) of this  
11 subsection is part of a general reduction in coverage approved by the Commissioner or  
12 satisfies the requirements of Title 19, Subtitle 5 of this article; or

13 (iii) the failure to renew the policy takes place under a plan of  
14 withdrawal that:

15 1. is approved by the Commissioner under § 27-603 of this  
16 subtitle; and

17 2. provides that each insured affected by the plan of  
18 withdrawal shall be sent by certificate of mailing at least 45 days before the  
19 nonrenewal of the policy a written notice that states the date that the policy will be  
20 nonrenewed and that the nonrenewal is the result of the withdrawal of the insurer  
21 from the market.

22 (b) (1) At least 45 days before the proposed effective date of the action, an  
23 insurer that intends to take an action subject to this section must send written notice  
24 of its proposed action to the insured at the last known address of the insured:

25 (i) for notice of cancellation or nonrenewal, by certified mail; and

26 (ii) for all other notices of actions subject to this section, by  
27 certificate of mailing.

28 (2) The notice must be in triplicate and on a form approved by the  
29 Commissioner.

30 (3) The notice must state in clear and specific terms:

31 (i) the proposed action to be taken, including:

32 1. for a premium increase, the amount of the increase and  
33 the type of coverage to which it is applicable; and

34 2. for a reduction in coverage, the type of coverage reduced  
35 and the extent of the reduction;

- 1 (ii) the proposed effective date of the action;
- 2 (iii) subject to paragraph (4) of this subsection, the actual reason of  
3 the insurer for proposing to take the action;
- 4 (iv) if there is coupled with the notice an offer to continue or renew  
5 the policy in accordance with § 27-606 of this subtitle:
- 6 1. the name of the individual or individuals to be excluded  
7 from coverage; and
- 8 2. the premium amount if the policy is continued or renewed  
9 with the named individual or individuals excluded from coverage;
- 10 (v) the right of the insured to replace the insurance through the  
11 Maryland Automobile Insurance Fund and the current address and telephone number  
12 of the Fund;
- 13 (vi) the right of the insured to protest the proposed action of the  
14 insurer and, except in the case of a premium increase that is consistent with the  
15 insurer's surcharge plan as filed with the Commissioner and authorized under the  
16 applicable provisions of Title 11 of this article, request a hearing before the  
17 Commissioner on the proposed action by signing two copies of the notice and sending  
18 them to the Commissioner within 30 days after the mailing date of the notice;
- 19 (vii) that if a protest is filed by the insured, the insurer must  
20 maintain the current insurance in effect until a final determination is made by the  
21 Commissioner, subject to the payment of any authorized premium due or becoming  
22 due before the determination; and
- 23 (viii) the authority of the Commissioner to award reasonable  
24 attorney fees to the insured for representation at a hearing if the Commissioner finds  
25 the proposed action of the insurer to be unjustified.
- 26 (4) (i) The insurer's statement of actual reason for proposing to take  
27 an action subject to this section must be sufficiently clear and specific so that an  
28 individual of average intelligence can identify the basis for the insurer's decision  
29 without making further inquiry.
- 30 (ii) The use of generalized terms such as "personal habits", "living  
31 conditions", "poor morals", or "violation or accident record" does not meet the  
32 requirements of this paragraph.
- 33 (5) IN THE EVENT THAT THE INSURER'S PROPOSED ACTION IS  
34 DISALLOWED BECAUSE OF A TYPOGRAPHICAL ERROR, MISSTATEMENT, OR OTHER  
35 DEFICIENCY IN A NOTICE OF PROPOSED ACTION THAT WOULD OTHERWISE BE  
36 SUFFICIENT, THE INSURER MAY TAKE THE PROPOSED ACTION AFTER REISSUING A  
37 CORRECTED WRITTEN NOTICE IN ACCORDANCE WITH THIS SUBSECTION AT LEAST 45  
38 DAYS PRIOR TO THE NEW EFFECTIVE DATE OF THE PROPOSED ACTION.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 October 1, 2001.